

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2018-5-G - ORDER NO. 2018-\_\_**

**DECEMBER \_\_, 2018**

IN RE:	Annual Review of Purchased Gas Adjustment )	<b>JOINT PROPOSED ORDER</b>
	and Gas Purchasing Policies of South Carolina )	<b>ON PGA AND ADOPTING</b>
	Electric & Gas Company )	<b>STIPULATION</b>

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This matter comes before the Public Service Commission of South Carolina (“the Commission”) for the annual review of the Purchased Gas Adjustment (“PGA”) and the Gas Purchasing Policies of South Carolina Electric & Gas Company (“SCE&G” or “Company”), as required by Order No. 87-898, issued on August 14, 1987. Pursuant to that order, the Commission opened the present docket for the purpose of conducting SCE&G’s 2018 annual PGA review. On June 12, 2018, the Commission Clerk’s Office scheduled a hearing for this matter for November 8, 2018, and established prefiling testimony deadlines by issuing a Notice of Hearing and Prefile Testimony Deadlines (“Notice of Hearing”). The Notice of Hearing also set a return date for intervention. The period under review in this docket is August 1, 2017, through July 31, 2018 (“Review Period”).

As the natural gas utility under review, SCE&G was automatically made a party to the proceeding. By letter dated June 12, 2018, the Commission Clerk’s Office instructed the Company to (i) publish the Notice of Hearing in newspapers of general circulation in the affected areas by August 29, 2018, advising all interested parties of the manner and time in which to file pleadings to obtain the right to participate in this proceeding and (ii) provide proofs of publication by

September 19, 2018. The Commission Clerk's Office further instructed SCE&G to provide notification of the PGA review to each affected customer via bill inserts or by electronic mail to those customers who have agreed to receive notices by electronic mail on or before August 29, 2018, and to provide certification on or before September 19, 2018. The Company timely filed affidavits and proofs of publication to confirm its compliance with the instructions of the Commission Clerk's Office on August 6, 2018, and August 14, 2018.

The South Carolina Office of Regulatory Staff ("ORS") is a party in this matter pursuant to S.C. Code Ann. § 58-4-10 (2015). No other parties sought to intervene in this proceeding.

On September 21, 2018, SCE&G pre-filed the direct testimony of witness Felicia D. Howard and the direct testimony and exhibits of witnesses Rose M. Jackson and Rachel R. Elliott. On October 12, 2018, ORS pre-filed the direct testimony and exhibits of witness Zachary J. Payne and the direct testimony of witness Anthony M. Sandonato.

On October 22, 2018, ORS and SCE&G (the "Parties") filed a comprehensive Stipulation addressing all matters in this docket.

On October 23, 2018 SCE&G filed the Verifications of Witnesses Howard, Jackson, and Elliott. Also on October 23, 2018, ORS filed the Verification of Witness Payne.

The Commission conducted a formal hearing in this matter on November 8, 2018, beginning at 9:00 a.m. in the hearing room of the Commission, with the Honorable Comer H. Randall presiding. K. Chad Burgess, Esquire, and Matthew W. Gissendanner, Esquire, represented the Company. Andrew M. Bateman, Esquire and Jenny R. Pittman, Esquire, represented ORS.

At the opening of the hearing, Ms. Pittman moved the Stipulation into the evidence of record. The Stipulation is identified, and incorporated herein by reference, as Order Exhibit No.

In support of its PGA and Gas Purchasing Policies and the Stipulation, SCE&G presented the verified direct testimony from Rose M. Jackson, Felicia D. Howard, and Rachel R. Elliott. SCE&G called Witness Jackson to the stand to provide a summary of her testimony. ORS presented the verified direct testimony from Zachary J. Payne and called Anthony M. Sandonato to the stand to present his direct testimony and provide a summary of that testimony.<sup>1</sup> Consistent with the terms of the Stipulation, the witnesses who pre-filed direct testimony in this proceeding and orally presented such testimony before the Commission were subject to questioning by the Commissioners, and not by any party.

The Commission has considered the testimony and the exhibits of the witnesses and the other evidence of record in this proceeding including the Stipulation. Based on the evidence of record, the Commission concludes, as the Parties have stipulated, that adoption of the Stipulation is in the best interest of SCE&G's customers and the State of South Carolina.

In making this finding, the Commission specifically finds that during the Review Period, SCE&G (a) properly administered the purchased gas adjustment and correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order No. 2006-679 as modified by Order No. 2009-910; (b) employed prudent gas purchasing practices and policies; (c) recovered its gas costs consistent with applicable tariffs and Commission orders and administered the PGA in a prudent and reasonable manner; and (d) was prepared during the Review Period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

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<sup>1</sup> The Commission accepted the Stipulation as Hearing Exhibit 1, the verification of ORS Witness Payne as Hearing Exhibit 2, SCE&G Witness Elliott's testimony exhibits as Hearing Exhibit 3, SCE&G Witness Jackson's testimony exhibits as Hearing Exhibit 4, ORS Witness Payne's testimony exhibits as Hearing Exhibit 5, and the verifications of all three SCE&G witnesses as Hearing Exhibit 6.

The Commission further finds that the monthly adjustment procedure and notification procedure for total cost of gas factors as adopted in Commission Docket No. 2006-5-G, Order No. 2006-679, as modified in Docket No. 2009-5-G, Order No. 2009-910, should be maintained. The Parties have agreed, and we find it appropriate, that the demand charges included in the total cost of gas factors will continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales. We further find the allocation factors of Residential 65.47%, Small General Service/Medium General Service 28.92%, and Large General Service 5.61%, as set forth on page 4 of Ms. Elliott's pre-filed direct testimony, to be appropriate for use in the cost of gas calculations beginning with the first billing cycle of January 2019.

We accept the use of the cost of gas calculations for the Review Period, as set forth in Stipulation Exhibit No. 1, which is attached hereto as Order Exhibit No. 1.

The Commission further approves the authority of SCE&G to continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under-collection balances using the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679, for the same reasons set forth in that Order. Pursuant to that Order and in the event of an over-collection balance, carrying costs shall be credited to customers.

Based on the testimony and exhibits and the Stipulation entered into the record of this proceeding, the Commission finds that the Company's gas purchasing policies and practices during the Review Period were reasonable and prudent. The Commission further finds that all matters contained in the Stipulation are appropriate for adoption in this proceeding and therefore finds that the Stipulation is in the public interest and is a reasonable resolution of all issues in this case.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The Stipulation, which was agreed to by the Parties and accepted into the record without objection, is incorporated into and made a part of this Order as Order Exhibit No. 1. Further, the Stipulation constitutes a reasonable resolution to this proceeding and is hereby adopted as such.

2. During the Review Period, SCE&G properly administered the purchased gas adjustment. SCE&G also correctly adjusted the gas cost recovery factors for each customer class in accordance with the terms of Order Nos. 2006-679 and 2009-910, which factors are hereby approved.

3. SCE&G's gas purchasing policies and practices during the Review Period were within the guidelines established in prior Commission orders and were reasonable and prudent.

4. The appropriate cost of gas calculations for the Review Period are set forth in Order Exhibit No. 1.

5. The demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Docket No. 2006-5-G, Order No. 2006-679, by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales.

6. The monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679, as amended by Order 2009-910, shall be maintained.

7. The allocation factors contained on page 4 of Ms. Elliott's direct testimony are appropriate and should be used for cost of gas calculations beginning with the first billing cycle of January 2019.

8. SCE&G shall continue to charge and recover carrying costs, if applicable, on the cumulative total (over)/under collection balances in the same method and with the same limitations as set forth by the Commission in Docket No. 2006-5-G, Order No. 2006-679. In the event of an over-collection balance, carrying costs shall be credited to customers.

9. The actual balance in the Company's unbilled gas cost adjustment account shall continue to be applied to the PGA (over)/under collection calculation, and the Company shall consider this unbilled gas cost adjustment account in all future PGA calculations. Future monthly adjustments shall continue to be applied to the demand component of the cost of gas factor.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

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Comer H. Randall, Chairman

ATTEST:

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Elliott F. Elam, Jr., Vice Chairman

(SEAL)